UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

WEB TELEPHONY, LLC	§	
Plaintiff,	§	
vs.	§	CIVIL ACTION NO. 2:07-CV-085 (DF)
VERIZON COMMUNICATIONS, INC. et al,	§	JURY DEMANDED
Defendants.	§	

AT&T CORP.'S ANSWER TO FIRST AMENDED COMPLAINT AND AMENDED COUNTERCLAIMS

Pursuant to Rules 8, 12, 13, and 15 of the Federal Rules of Civil Procedure and the Local Civil Rules of this Court, Defendant AT&T Corp. ("AT&T") answers the allegations of Web Telephony LLC's ("Web Telephony") First Amended Complaint for Patent Infringement (the "First Amended Complaint") and asserts counterclaims as follows:

INTRODUCTION

1. AT&T admits that United States Patent No. 6,445,694 (the "'694 patent") is entitled "Internet Controlled Telephone System." AT&T further admits that United States Patent No. 6,785,266 (the "'266 patent") is entitled "Internet Controlled Telephone System." AT&T denies the remaining allegations of paragraph 1 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the remaining allegations of paragraph 1 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

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JURISDICTION AND VENUE

2. AT&T admits Web Telephony has alleged patent infringement in this action. No answer is required to the remaining allegations contained in paragraph 2 of the First Amended Complaint, which merely state conclusions of law.

3. AT&T denies that it is responsible for acts of infringement in this District, or has delivered or caused to be delivered infringing products in this District. AT&T lacks sufficient knowledge and information to admit or deny the remaining allegations of paragraph 3 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same. No answer is required to the remaining allegations contained in paragraph 3 of the First Amended Complaint, which merely state conclusions of law.

PLAINTIFF WEB TELEPHONY

4. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 4 of the First Amended Complaint, and therefore denies the same.

THE PATENTS

5. AT&T admits that the ‘694 patent indicates that it was issued by the United States Patent and Trademark Office (“PTO”) on September 3, 2002, and that a copy of the ‘694 patent was attached as Exhibit A to the First Amended Complaint. AT&T further admits that the ‘266 patent indicates it was issued by the PTO on August 31, 2004, and that a copy of the ‘266 patent was attached as Exhibit B to the First Amended Complaint. Upon information and belief, AT&T denies the remaining allegations contained in paragraph 5 of the First Amended Complaint.

DEFENDANTS

6. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 6 of the First Amended Complaint, and therefore denies the same.

7. AT&T admits the allegations contained in paragraph 7 of the First Amended Complaint.

8. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 8 of the First Amended Complaint, and therefore denies the same.

9. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 9 of the First Amended Complaint, and therefore denies the same.

10. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 10 of the First Amended Complaint, and therefore denies the same.

11. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 11 of the First Amended Complaint, and therefore denies the same.

First Claim for Patent Infringement (‘694 Patent) Against Defendants

12. AT&T incorporates its responses to paragraphs 1-11 of the First Amended Complaint as though fully set forth herein.

13. AT&T admits that the ‘694 patent indicates that it was issued by the PTO September 3, 2002. Upon information and belief, AT&T denies the remaining allegations contained in paragraph 13 of the First Amended Complaint.

14. Upon information and belief, AT&T denies the allegations contained in paragraph 14 of the First Amended Complaint.

15. AT&T denies the allegations contained in paragraph 15 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 15 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

16. AT&T denies the allegations contained in paragraph 16 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 16 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

17. AT&T denies the allegations contained in paragraph 17 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 17 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

Second Claim for Patent Infringement (‘266 Patent) Against Defendants

18. AT&T incorporates its responses to paragraphs 1-11 of the First Amended Complaint as though fully set forth herein.

19. AT&T admits that the ‘266 patent indicates it was issued by the PTO on August 31, 2004. Upon information and belief, AT&T denies the remaining allegations contained in paragraph 19 of the First Amended Complaint.

20. Upon information and belief, AT&T denies the allegations contained in paragraph 20 of the First Amended Complaint.

21. AT&T denies the allegations contained in paragraph 21 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 21 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

22. AT&T denies the allegations contained in paragraph 22 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 22 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

23. AT&T denies the allegations contained in paragraph 23 of the First Amended Complaint with respect to AT&T. AT&T lacks sufficient knowledge and information to admit or deny the allegations contained in paragraph 23 of the First Amended Complaint that pertain to the other defendants, and therefore denies the same.

24. AT&T admits that Web Telephony has demanded a trial by jury of all issues.

DEFENSES AND AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

25. Web Telephony is not entitled to any relief against AT&T because AT&T has not directly or indirectly infringed the ‘694 patent and/or the ‘266 patent.

SECOND AFFIRMATIVE DEFENSE

26. One or more of the claims of the ‘694 patent and/or the ‘266 patent are invalid for failing to meet one or more of the requisite statutory and decisional requirements and/or conditions for patentability under Title 35 of the United States Code § 101 *et seq.*, including without limitation, §§ 102, 103, and/or 112.

THIRD AFFIRMATIVE DEFENSE

27. The ‘694 and ‘266 patents are unenforceable against AT&T because of waiver, estoppel, laches, unclean hands, or other applicable equitable doctrines.

FOURTH AFFIRMATIVE DEFENSE

28. AT&T is exempt from liability for infringement in whole or in part to the extent that any of the alleged inventions described in and allegedly covered by the ‘694 and ‘266 patents are used, manufactured, or sold by or for AT&T, its suppliers, and/or its customers pursuant to an implied license.

29.

FIFTH AFFIRMATIVE DEFENSE

29. AT&T repeats and realleges the allegations in Counterclaim Three, below, as if fully set forth herein.

30. The ‘694 and ‘266 patents are unenforceable because of inequitable conduct committed by the named inventor, and/or others associated with him during the prosecution of the ‘694 and ‘266 patents before the PTO. As detailed below, Robert D. Swartz, and/or those acting on his behalf, made, with deceptive intent, material misrepresentations to the PTO concerning, *inter alia*, the inventorship and priority date of the ‘694 and ‘266 patents.

SIXTH AFFIRMATIVE DEFENSE

31. Web Telephony lacks standing to bring these claims for patent infringement against AT&T.

COUNTERCLAIMS

AT&T Corp. (“AT&T”) for its counterclaims against Web Telephony LLC (“Web Telephony”) alleges as follows:

PARTIES

1. Counterclaim-plaintiff AT&T Corp. is a corporation organized and existing under the laws of New York, with its principal place of business in Bedminster, New Jersey.

2. Upon information and belief, counter-claim-defendant Web Telephony LLC is a limited liability company organized and existing under the laws of the state of Illinois.

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction over these counterclaims pursuant to 28 U.S.C. §§ 1331, 1338(a), and 2201.

4. Web Telephony is subject to personal jurisdiction in this District.

5. Venue for this action is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1400(b).

FACTS

6. Upon information and belief, Web Telephony claims to be the owner of all right, title, and interest in and to U.S. Patent Nos. 6,445,694 (the "'694 patent") and 6,785,266 (the "'266 patent").

7. Web Telephony has accused AT&T of infringement of the '694 and '266 patents.

8. An actual case or controversy exists between the parties concerning the infringement, validity, and enforceability of the '694 patent and the '266 patent.

COUNT ONE

(Non-infringement of the '694 Patent)

9. AT&T repeats and re-alleges the allegations of the preceding counterclaim paragraphs 1-8 as if fully set forth herein.

10. AT&T has not directly or indirectly infringed and is not directly or indirectly infringing the '694 patent.

11. AT&T is entitled to a declaratory judgment that it has not infringed and is not infringing the '694 patent.

COUNT TWO

(Invalidity of the '694 Patent)

12. AT&T repeats and re-alleges the allegations of the preceding counterclaim paragraphs 1-8 as if fully set forth herein.

13. One or more claims of the '694 patent are invalid for failing to meet one or more of the requisite statutory and decisional requirements and/or conditions for patentability under Title 35 of the United States Code § 101 *et seq.*, including without limitation, §§ 102, 103, and/or 112.

14. AT&T is entitled to a declaratory judgment that the '694 patent is invalid.

COUNT THREE

(Non-infringement of the '266 Patent)

15. AT&T repeats and re-alleges the allegations of the preceding counterclaim paragraphs 1-8 as if fully set forth herein.

16. AT&T has not directly or indirectly infringed and is not directly or indirectly infringing the '266 patent.

17. AT&T is entitled to a declaratory judgment that it has not infringed and is not infringing the '266 patent.

COUNT FOUR

(Invalidity of the ‘266 Patent)

18. AT&T repeats and re-alleges the allegations of the preceding counterclaim paragraphs 1-8 as if fully set forth herein.

19. One or more claims of the ‘266 patent are invalid for failing to meet one or more of the requisite statutory and decisional requirements and/or conditions for patentability under Title 35 of the United States Code § 101 *et seq.*, including without limitation, §§ 102, 103, and/or 112.

20. AT&T is entitled to a declaratory judgment that the ‘266 patent is invalid.

COUNT FIVE

(Unenforceability of the ‘694 and ‘266 patents)

21. AT&T repeats and re-alleges the allegations of the preceding counterclaim paragraphs 1-8 as if fully set forth herein.

22. The ‘694 and ‘266 patents are unenforceable due to inequitable conduct committed by the named inventor Robert Swartz, and/or those acting on his behalf during prosecution of the ‘694 and ‘266 patents, and AT&T is entitled to a declaration to that effect. As set forth more fully below, Mr. Swartz and/or those acting on his behalf acted with deceptive intent in making materially false and/or misleading representations and omitting material information during proceedings before the PTO.

23. Upon information and belief, prior to March 2, 1998, Vail Systems, Inc. ("Vail") decided to seek patent protection for alleged inventions made by Vail employee Alex Kurganov in connection with his work on a project involving telephony. Vail retained Mr. Swartz to oversee the filing of a patent application directed to Mr. Kurganov's alleged inventions.

24. Upon information and belief, Mr. Kurganov provided Mr. Swartz with materials and information concerning Mr. Kurganov's work at Vail, including a description of the features of a telephony system he had been working on and a copy of the relevant source code.

25. Upon information and belief, on March 3, 1997, a patent attorney working under Mr. Swartz's direction filed U.S. Provisional Patent Application Serial No. 60/040,056 ("the Vail/Kurganov Provisional") with the PTO. Upon information and belief, unbeknownst to Vail and Mr. Kurganov, Mr. Swartz improperly and with deceptive intent instructed the attorney to name Mr. Swartz as co-inventor on the Vail/Kurganov Provisional.

26. Mr. Swartz subsequently filed patent applications ("Swartz Applications") improperly purporting to claim priority to the Vail/Kurganov Provisional, but not naming Mr. Kurganov as a co-inventor. Specifically, but without limitation, on March 2, 1998, Mr. Swartz filed Application No. 09/033,287, which issued as the '694 patent; and, on August 27, 2002, Mr. Swartz filed Application No. 10/228,596, which issued as the '266 patent. The Swartz Applications improperly name Mr. Swartz as the sole inventor.

27. Mr. Swartz and/or those acting on his behalf thus made material misrepresentations to the PTO with deceptive intent regarding (a) the alleged inventorship of the '694 and '266 patents, and (b) the right to claim priority to the Vail/Kurganov Provisional.

28. As a result of the deceptive, inequitable, and misleading conduct set forth above, the ‘694 and ‘266 patents are unenforceable.

PRAYER FOR RELIEF

WHEREFORE, AT&T requests the Court to enter a judgment in its favor and against Web Telephony as follows:

a. Dismiss the First Amended Complaint in its entirety, with prejudice;

b. Enter judgment in favor of AT&T and against Web Telephony;

c. Declare that AT&T has not infringed, and is not infringing, the ‘694 and ‘266 patents;

d. Declare that one or more of the claims of the ‘694 and ‘266 patents are invalid, void, and/or unenforceable against AT&T;

e. Award AT&T its costs (including expert fees), disbursements, and reasonable attorneys’ fees incurred in this action, pursuant to 35 U.S.C. § 285; and

f. Grant such further relief as is just and proper.

Dated: June 15, 2007

Respectfully submitted,

By: /s/ Darby Doan
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was filed electronically in compliance with Local Rule CV-5(a). Therefore, this document was served on all counsel who are deemed to have consented to electronic service. Local Rule CV-5(a)(3)(A). Pursuant to Fed. R. Civ. P. 5(d) and Local Rule CV-5(e), all other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of this document via e-mail, facsimile and/or U.S. First Class Mail this 15th day of June 2007.

/s/ Darby Doan